

Message Text

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TAGS: ETRD, PO

SUBJ: PORTUGUESE NONTARIFF BARRIERS

REF: STATE A-3287, STATE 226592

1. SUMMARY. MATERIAL IN THIS CABLE IS KEYED TO ATTACHMENTS TO REFAIR. END SUMMARY.

2. IT SHOULD BE EMPHASIZED THAT PROVISIONAL GOVERNMENT IS STILL EVALUATING ITS TRADE POLICIES, AND SOME OF THESE BARRIERS MAY BE SUBJECT TO CHANGE. HOWEVER, ANY LEVERAGE WHICH U.S. MAY BE ABLE TO EXERT TO ATTEMPT TO CHANGE THOSE NTBS WHICH ARE BELIEVED TO BE DAMAGING FOR OUR EXPORTS MAY BE AT LEAST PARTIALLY OFFSET BY WHAT PORTUGAL SEES AS NEW OPTIONS DUE TO POTENTIAL CLOSER RELATIONSHIP WITH THE EUROPEAN COMMUNITY AND PROMISE OF NEW COMMERCIAL TIES WITH EASTERN EUROPE.

3. EMBASSY EVALUATIONS OF PRESENT NONTARIFF BARRIERS PER ATTACHMENT 2 OF REFAIR FOLLOW:

A. SUBSIDIES TO FILM PRODUCERS (MTN/3B/1). THE FIRST PARAGRAPH, "METHOD-", SHOULD BE REVISED TO READ: "THE PORTUGUESE GOVERNMENT THROUGH THE LIMITED OFFICIAL USE

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PORTUGUESE FILM INSTITUTE, GRANTS FINANCIAL ASSISTANCE

IN THE FORM OF LOANS, SUBSIDIES, OR CREDIT GUARANTEES, TO THE LOCAL FILM INDUSTRY. A SPECIAL RELEASE TAX OF ESCUDOS 15,000 IMPOSED ON EVERY FEATURE FILM RELEASED FOR EXHIBITION IN PORTUGAL IS PAID TO THE INSTITUTE." THE OBVIOUS INTENT OF THIS MEASURE IS TO ENCOURAGE A DOMESTIC FILM INDUSTRY. ALTHOUGH THUS CLEARLY FAVORING DOMESTIC PRODUCTION, POLICY APPARENTLY HAS HAD LITTLE PRACTICAL EFFECT, AS PORTUGAL'S FILM INDUSTRY HAS STILL NOT MOVED TO ANY DEGREE BEYOND SHORT SUBJECT, AND COUNTRY STILL DEPENDS ON IMPORTED FEATURE FILMS. EFFECTS ON U.S. TRADE APPEAR VERY SMALL.

B. GOVERNMENT PROCUREMENT (MTN/3B/1). DECREE 38501 OF 1951 CITED REFAIR SHOULD BE CHANGED TO READ DECREE 38504 OF 1951. IT IS UNCLEAR HOW OFTEN SITUATION ARISES, AND THE OVERALL IMPACT ON TRADE, AND IN FACT THE PREFERENCE APPEARS TO BE WEAKER THAN THAT GIVEN BY THE U.S. FOR GOVERNMENT PURCHASES, LEAVING US IN A SOMEWHAT WEAK NEGOTIATING POSITION. EMBASSY WAS UNABLE TO CONFIRM EXTENSION OF THE PREFERENCE TO FOREIGN SUPPLIERS WHO BUY PORTUGUESE GOODS IN COMPENSATION.

C. DISCRIMINATORY IMPORT RESTRICTIONS AGAINST JAPAN (MTN/3B/4). PORTUGAL NO LONGER INVOKES ARTICLE XXXV AGAINST JAPAN.

D. RESTRICTIONS ON FOOD PRODUCTS CONTAINING SACCHARINE (MTN/3B/4). RESTRICTIONS REMAIN AS STATED IN REFAIR, AND APPEAR TO PRESENT A CONSIDERABLE BARRIER TO U.S. EXPORTS IN THE AREA OF PROCESSED FOODS. THERE IS NO PREFERENCE OR DISCRIMINATION INVOLVED, HOWEVER, AS DOMESTIC PRODUCTION OF SUCH PRODUCTS IS ALSO NOT ALLOWED. THE PORTUGUESE MAY NOT BE WILLING TO NEGOTIATE ON WHAT THEY CONSIDER A MATTER OF HEALTH.

E. IMPORT LICENSING AND GLOBAL OR BILATERAL QUOTAS (MTN/3B/4). AT PRESENT, ALL SHIPMENTS INTO PORTUGAL LIMITED OFFICIAL USE

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VALUED OVER 25,000 ESCUDOS (ABOUT DOLS 1,000) ARE SUBJECT TO IMPORT LICENSE, VICE 2,500 ESCUDOS REPORTED REFAIR. SUCH LICENSING DOES NOT APPEAR TO IMPOSE MORE THAN BUREAUCRATIC DELAY ON IMPORTS. QUOTAS REMAIN AS STATED. HOWEVER, DECREE LAW 44104 OF 1961 REGULATING AUTOMOBILES AND PARTS FOR ASSEMBLY WAS REVOKED BY DECREE LAW 157/72 OF MAY 12, 1972, EXCEPT FOR ITS PROVISIONS ON QUOTAS.

LATEST AUTHORITY IS IN MINISTERIAL RULING OF MARCH 11, 1974 (DAIRIO DO GOVERNO, I SERIES, NO. 97). SUCH QUOTAS ARE PREFERENTIAL BUT NON-DISCRIMINATORY, AND EFFECTS ARE JUST ABOUT AS STATED IN REFAIR. GOP IS CURRENTLY STUDYING A PROPOSAL BY PEUGEOT AND ALFA-ROMEO FOR A NEW AUTOMOBILE PLANT, WHICH WILL PROBABLY AFFECT ITS REGULATIONS IN THIS AREA, AS THE PERCENTAGE OF PARTS OF VEHICLES ASSEMBLED HERE REQUIRED TO BE LOCALLY PRODUCED (CURRENTLY 25 PER CENT FOR CARS, 20 PER CENT FOR TRUCKS) WILL PROBABLY RISE EVEN FURTHER, THUS INCREASING EFFECT ON U.S. TRADE.

F. TRANSACTION TAX (MTN/3B/5). THE TAX, OF 7 PER CENT 12 PER CENT, OR 20 PER CENT, DEPENDING ON THE CATEGORY OF GOODS, IS LEVIED AT THE WHOLESALE LEVEL (NOT RETAIL) ON ALL GOODS, WHETHER IMPORTED OR DOMESTIC.

G. SALES TAX (MTN/3B/5). DECREE LAW 697/73 OF OCTOBER 27, 1973 SETS A TAX ON THE SALE OF TRACTORS (OTHER THAN AGRICULTURAL, AND PASSENGER CARS RANGING FROM 16 PER CENT (CARS RETAILED UP TO 50,000 ESCUDOS) TO 100 PER CENT (CARS RETAILING OVER 400,000 ESCUDOS). NEITHER THIS NOR THE TRANSACTION TAX (SUBPARA F ABOVE) APPEAR TO BE NTBS.

H. VARIABLE DUTIES (MTN/3B/5). THESE SHOULD PERHAPS ACTUALLY BE CALLED "LEVIES," AS THEY ARE LISTED AS SURTAXES ON IMPORTS OF SPECIFIED COMMODITIES FOR SEMIGOVERNMENTAL REGULATING COMMISSIONS AND INSTITUTES WHICH USE THE SURTAXES FOR OPERATING EXPENSES. THE AGENCIES INVOLVED COVER TRADE IN RAW COTTON, CODFISH, OIL-BEARING SEEDS AND VEGETABLE LIMITED OFFICIAL USE

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OILS, RICE, CHEMICAL AND PHARAMACEUTICAL PRODUCTS, LIVESTOCK PRODUCTS, ANGOLAN COFFEE, AND RAW COTTON FROM BOTH ANGOLA AND MOZAMBIQUE. THE SURTAXES ARE NON-DISCRIMINATORY, AND CONSIST GENERALLY OF ONLY A FEW CENTAVOS PER KILOGRAM. THE EFFECT APPEARS ALMOST INFINITISEMAL.

4. EVALUATION OF ATTACHMENT 4 OF REFAIR FOLLOWS:
A. SUBSIDIES TO WINE PRODUCERS. FINANCIAL SUPPORT IS GIVEN TO WINE EXPORTERS FOR MARKET PROMOTIONAL ACTIVITIES (MOSTLY ADVERTISING) BY THE EXPORT DEVELOPMENT FUND. SUCH ASSISTANCE APPEARS A DEFINITE PREFERENTIAL SUBSIDY, AND HELPS COMPETITION WITH U.S. WINE EXPORTS TO THIRD COUNTRIES.

B. RESTRICTIONS ON ALCOHOLIC BEVERAGES. THESE
APPEAR NON-PREFERENTIAL AND NON-DISCRIMINATORY AND
DO NOT PRESENT ANY EVIDENT PROBLEM TO U.S. EXPORTS.
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